

# EXHIBIT C



# US Equity Research

MUFG Securities Americas Inc.

member of MUFG, a global financial group

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Oil &amp; Gas E&amp;P

Estimate Change

## Apache Corp.

### Waiting on GCX Pipeline and the Narrowing of Diffs

#### Investment Highlights:

APA's 2Q2019 results beat on several metrics with production higher than guidance both domestically and internationally. Guidance remained intact even with the company deferring dry natural gas production in Alpine High due to low natural gas prices in west Texas, in addition to general delays bringing wells online.

Recent events do not present us with cause to change our thesis, and so we are maintaining our \$39 price target and Overweight rating. Our estimates for 2019 express an EV/EBITDAX multiple of 5.0x, a discount to the group average of 5.4x. We view the discount as justified given the company's relatively high exposure to poorly-priced NGLs and Nat Gas.

#### Key Points

**2Q19 Earnings:** APA reported an adjusted net gain of \$0.11 per share for the quarter, beating our and the street's \$0.07 estimate. Reported adj. EBITDAX of \$994 million came in near our \$996 MM estimate, beating the \$968 MM consensus estimate. U.S. and company-wide production (Ex-Egypt noncontrolling interest) beat guidance of 260 and 396 MBOED, respectively, while International was in line with guided 132 MBOED.

Upstream capital spend of \$589 MM in 2Q19 was below the \$675 MM midpoint of guidance as well as our \$658 MM estimate. This reduced spend presents the possibility for 2019 capex to be below their guided ~\$2.4 B.

**Operations and Outlook:** Adjusted (ex-Mid-Con) guidance implies 19% yoy growth from 4Q18 – 4Q19, and their upstream capital program of \$2.4 billion was reiterated. The second half of this year is expected to be more completions weighted than the first half, with planned incremental spend in 3Q19 for Storr development in the North Sea and GOM plug and abandon spend.

For the full year they raised their LOE and DD&A unit cost expectations while lowering gathering & transportation spend from \$400 MM to \$350 MM. APA operated 16 rigs on average (down 2 sequentially) in the U.S. onshore with the **Permian** basin averaging 12 (four rigs in the Midland, three in the Delaware, and five at Alpine High). 51 net wells were drilled and completed in the basin, putting the YTD drilled total at 85, vs 1H18's 109. Overall production of 226 MBOE/d during 2Q19 was down 9% sequentially due to deferred production at Alpine High in response to weak gas realizations as well as timing delays in bringing wells online.

#### Overweight

Ticker.....	APA
Price (8/1/2019).....	\$24.12
Price Target.....	\$39.00
52-wk range	\$50.03 / \$22.60
Shares out (M)	375.9
Market cap (M)	\$9,067
ADTV (3 mo avg)	4,773,845
Short int (% S/O)	6.5%
Dividend / yield	\$1.00 / 4.1%

Source: Bloomberg, MUSAe

#### Fiscal Year: December

EBITDAX (\$MM)	2018A		2019E		2020E	
	Curr	Prior	Curr	Prior	Curr	Prior
1Q	1,087	1,050A	NC	1,026	1,078	
2Q	1,268	994A	996A	1,082	1,139	
3Q	1,367	960	998	1,108	1,173	
4Q	1,143	1,037	1,094	1,114	1,176	
FY EBITDAX	4,865	4,041	4,138	4,330	4,567	

EPS (\$)	2018A		2019E		2020E	
	Curr	Prior	Curr	Prior	Curr	Prior
1Q	0.32	0.10A	NC	0.02	(0.03)	
2Q	0.50	0.11A	0.07A	0.10	0.06	
3Q	0.63	0.04	(0.02)	0.10	0.08	
4Q	0.31	0.08	0.05	0.10	0.07	
FY EPS	1.77	0.35	0.19	0.32	0.19	

Source: Company reports, MUSAe

NC= No change

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In the **Midland**, APA averaged four rigs during the quarter, down from 2018's five-rig average while bringing 20 wells online. That would imply an additional 29 wells for the rest of the year.

APA put nine wells online in the **Delaware**, with plans to put on 44 during 2019. As mentioned in their 4Q18 call, a second frac crew will return to the Midland in 2H19, helping to lift production.

**Alpine High** production averaged 49 MBOE/d down 30% sequentially, as APA deferred production due to weak WAHA and El Paso pricing. The company is looking for pricing to improve in 4Q19 when GCX pipeline comes online. Still, with the first two cryogenic processing facilities online as of July APA expects to ramp rich gas production in 3Q19 and maintains their target of >100 MBOE/d in 4Q19.

In **Egypt**, gross production dropped modestly on a sequential basis, but adjusted for minority interest and tax barrels APA's 1Q19 volumes averaged 79 MBOE/d, compared to 74 MBOE/d of in 4Q18.

As management had communicated, APA dropped their rig count to seven from ten in 2Q19 and drilled and completed 11 net wells spending \$71 MM (net to APA). They plan on dropping the rig count even further and average seven to eight rigs for the year. In their new concession area APA made a discovery in the Lower Bahariya and cites other opportunities in the vicinity to expand their inventory of acreage capable of generating sustainable FCF.

In the **North Sea** APA maintained pace running three rigs in 2Q19 quarter, with production averaging 60 MBOE/d versus 1Q19's 66 MBOE/d as fewer wells were completed this quarter (two vs four the prior two quarters). With annual shut-ins for maintenance occurring in 3Q19 we expect declines during the quarter.

As telegraphed by management 4Q19 has another exploration discovery at Storr scheduled to come online, as well as a second development well drilled and completed at Garten. Existing infrastructure in the area continues to allow the company to tie discoveries back relatively efficiently.

In **Suriname** the Noble Sam Croft drillship is expected to spud the first exploration well on Block 58 in September. APA's budget and contract with the ship entails drilling one well, however the company has the option to drill another three. When asked about additional activity in the area management made it pretty clear that multiple wells were part of the plan regardless of the first well's results. Going forward, there exists the potential for shared capital with partners, though APA will have 100% working interest on the first Block 58 well.

**Financial Flexibility and Free Cash Flow Outlook:** Consolidated APA ended the quarter with \$549 MM in cash (E&P standalone: \$372 MM) and \$4B on their undrawn revolver. For 2019 we estimate \$3.02 billion



in discretionary cash flow (based on a \$58 WTI / \$2.70 HH pricing environment), which should lead to free cash flow generation on an E&P standalone basis, given our forecast of \$2.4B in upstream capex and dividends of \$376 MM. In 2020, presuming APA maintains a dialed-back spend level, we forecast \$948 MM in standalone FCF, excluding dividends.

**Estimate Changes:** Primarily due to the sale of Midcon assets we are lowering 2019 estimated adjusted production (ex-Egypt Noncontrolling interest) to 408 MBOE/d from 432 MBOE/d. 2020 adjusted production moves down to 440 MBOE/d from 481 MBOE/d. We see Alpine High continuing to ramp, contributing the bulk of the increase to our 480 MBOE/d estimate.

Taking into account APA's results and guidance our 2019 EBITDAX estimate falls 2% to \$4.04 billion from \$4.14 B, and est. 2020 EBITDAX falls 5% to \$4.33 B from \$4.57 B. In addition, we are now forecasting 2019 EPS of \$0.35, from a prior estimate of \$0.19, and for 2020 we are modeling EPS of \$0.32 vs a prior of \$0.19.



US Equity Research  
Apache Corp.

## EXHIBIT 1: E&P OPERATIONS INCOME STATEMENT

Apache Corp (APA)	Annual Results												2020e			
	2018				2019e				2020e							
	2018	2019e	2020e	2021e	1Q	2Q	3Q	4Q	1Q	2Q	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe
<b>Production</b>																
Gas Production (MMcf/d)	966	1,033	1,173	1,241	873	932	1,025	1,029	1,117	922	977	1,116	1,150	1,161	1,183	1,199
NGL Production (Mbb/d)	60	59	60	62	53	61	62	61	62	64	52	59	60	60	60	61
Oil Production (Mbb/d)	245	240	247	247	241	247	243	249	255	239	227	240	243	246	248	249
<b>Total Production (Mbce/d)</b>	<b>466</b>	<b>472</b>	<b>503</b>	<b>516</b>	<b>440</b>	<b>464</b>	<b>476</b>	<b>482</b>	<b>503</b>	<b>457</b>	<b>442</b>	<b>485</b>	<b>495</b>	<b>500</b>	<b>506</b>	<b>510</b>
<b>Production by Region</b>																
Alpine High production	41	73	112	123	26	32	49	58	70	49	72	103	108	110	113	116
Other Permian	169	177	182	184	157	170	173	178	178	177	173	179	182	183	181	182
GOM production	5	5	5	4	6	6	5	4	4	6	5	5	5	5	5	5
Midcon / Gulf Coast production	45	21	6	6	44	48	45	43	40	32	6	6	6	6	6	6
Egypt Production	149	136	132	133	154	154	153	136	145	133	134	130	132	129	133	132
North Sea Production	56	60	66	65	54	54	51	63	66	60	51	61	61	67	68	69
<b>Total Production (Mbce/d)</b>	<b>466</b>	<b>472</b>	<b>503</b>	<b>516</b>	<b>440</b>	<b>464</b>	<b>476</b>	<b>482</b>	<b>503</b>	<b>457</b>	<b>442</b>	<b>485</b>	<b>495</b>	<b>500</b>	<b>506</b>	<b>510</b>
<b>Total Prod. (MBboed) adj. ex Egypt</b>	<b>395</b>	<b>408</b>	<b>440</b>	<b>452</b>	<b>367</b>	<b>390</b>	<b>401</b>	<b>421</b>	<b>437</b>	<b>396</b>	<b>379</b>	<b>423</b>	<b>431</b>	<b>438</b>	<b>442</b>	<b>447</b>
<b>Market Prices / MUSAe</b>																
Henry Hub (\$/MMBtu)	3.01	2.70	2.90	2.90	2.89	2.83	2.85	3.70	2.94	2.50	2.60	2.75	2.90	2.80	2.80	2.90
Mt. Belvieu (\$/bbl)	30.61	22.00	23.00	25.00	27.69	31.10	35.64	27.98	25.91	22.22	20.00	21.00	24.00	23.00	23.00	23.00
WTI Crude (\$/bbl)	65.15	58.00	59.00	60.00	62.73	67.06	69.35	61.45	54.67	57.72	60.00	60.00	59.00	59.00	59.00	59.00
<b>Price Realizations (unhedged)</b>																
Natural Gas (\$/Mcfc)	2.61	1.92	1.95	1.97	2.83	2.51	2.56	2.58	2.35	1.43	1.64	1.68	1.78	2.09	1.95	1.97
NGL (\$/bbl)	26.88	16.44	14.46	16.01	24.65	26.64	31.42	24.42	19.49	14.37	10.05	12.19	14.16	13.27	16.22	14.18
Crude Oil (\$/bbl)	65.24	61.55	61.17	61.68	64.38	69.30	69.13	58.44	57.70	63.71	62.74	62.42	61.15	61.17	61.25	61.25
<b>Price Realizations (hedged)</b>																
Natural Gas (\$/Mcfc)	2.61	1.92	1.95	1.97	2.83	2.51	2.56	2.58	2.35	1.43	1.64	1.68	1.78	2.09	1.95	1.97
NGL (\$/bbl)	26.88	16.44	14.46	16.01	24.65	26.64	31.42	24.42	19.49	14.37	10.05	12.19	14.16	13.27	16.22	14.18
Crude Oil (\$/bbl)	63.86	61.55	61.17	61.68	64.38	69.30	65.55	56.86	57.70	63.71	62.74	62.42	61.15	61.17	61.25	61.25
<b>E&amp;P Revenue (\$M)</b>																
NG Revenue	915	673	836	893	218	212	242	244	236	118	147	172	186	221	212	217
NGL Revenue	578	305	320	364	118	148	174	137	108	83	48	66	77	73	90	79
Oil Revenue	5,758	5,401	5,525	5,564	1,392	1,576	1,468	1,322	1,310	1,397	1,313	1,381	1,354	1,372	1,395	1,405
<b>Total E&amp;P Revenue</b>	<b>\$ 7,251</b>	<b>\$ 6,379</b>	<b>\$ 6,681</b>	<b>\$ 6,821</b>	<b>\$ 1,728</b>	<b>\$ 1,936</b>	<b>\$ 1,884</b>	<b>\$ 1,703</b>	<b>\$ 1,654</b>	<b>\$ 1,598</b>	<b>\$ 1,508</b>	<b>\$ 1,619</b>	<b>\$ 1,617</b>	<b>\$ 1,666</b>	<b>\$ 1,697</b>	<b>\$ 1,701</b>
<b>Cash Operating Costs (\$M)</b>																
LOE	(1,433)	(1,445)	(1,463)	(1,458)	(349)	(356)	(382)	(352)	(365)	(389)	(337)	(354)	(361)	(363)	(369)	(369)
Transportation	(343)	(336)	(334)	(329)	(81)	(82)	(92)	(88)	(88)	(76)	(85)	(87)	(86)	(84)	(83)	(81)
Severance and other Taxes	(215)	(191)	(200)	(205)	(55)	(49)	(58)	(53)	(51)	(46)	(45)	(49)	(49)	(50)	(51)	(51)
G&A	(431)	(410)	(365)	(301)	(114)	(117)	(99)	(101)	(123)	(102)	(91)	(94)	(98)	(90)	(90)	(87)
<b>Total Cash Operating Costs</b>	<b>\$ (2,428)</b>	<b>\$ (2,382)</b>	<b>\$ (2,362)</b>	<b>\$ (2,293)</b>	<b>\$ (599)</b>	<b>\$ (604)</b>	<b>\$ (631)</b>	<b>\$ (594)</b>	<b>\$ (627)</b>	<b>\$ (613)</b>	<b>\$ (558)</b>	<b>\$ (584)</b>	<b>\$ (594)</b>	<b>\$ (587)</b>	<b>\$ (592)</b>	<b>\$ (588)</b>
<b>Unit Cash Op. Costs (\$/Boe)</b>																
LOE	8.46	8.39	7.95	7.74	8.81	8.43	8.72	7.93	8.07	9.36	8.28	7.94	8.03	7.98	7.92	7.87
Transportation	2.02	1.95	1.82	1.75	2.04	1.94	2.10	1.98	1.95	1.83	2.09	1.96	1.92	1.84	1.79	1.72
Severance and other Taxes	1.26	1.11	1.09	1.09	1.39	1.16	1.32	1.19	1.13	1.11	1.11	1.10	1.08	1.10	1.10	1.09
G&A	2.53	2.38	1.98	1.60	2.88	2.77	2.26	2.28	2.72	2.45	2.24	2.10	2.17	1.99	1.93	1.86
<b>Total Unit Cash Op. Costs</b>	<b>\$ 14.28</b>	<b>\$ 13.84</b>	<b>\$ 12.84</b>	<b>\$ 12.17</b>	<b>\$ 15.11</b>	<b>\$ 14.30</b>	<b>\$ 14.40</b>	<b>\$ 13.39</b>	<b>\$ 13.86</b>	<b>\$ 14.74</b>	<b>\$ 13.71</b>	<b>\$ 13.09</b>	<b>\$ 13.20</b>	<b>\$ 12.90</b>	<b>\$ 12.73</b>	<b>\$ 12.54</b>
<b>Cash Operating Income (\$M)</b>	<b>4,823</b>	<b>3,997</b>	<b>4,318</b>	<b>4,528</b>	<b>1,129</b>	<b>1,332</b>	<b>1,253</b>	<b>1,109</b>	<b>1,027</b>	<b>985</b>	<b>950</b>	<b>1,034</b>	<b>1,023</b>	<b>1,078</b>	<b>1,105</b>	<b>1,112</b>
<b>Cash Operating Margin</b>	<b>67%</b>	<b>63%</b>	<b>65%</b>	<b>66%</b>	<b>65%</b>	<b>69%</b>	<b>67%</b>	<b>65%</b>	<b>62%</b>	<b>62%</b>	<b>63%</b>	<b>64%</b>	<b>63%</b>	<b>65%</b>	<b>65%</b>	<b>65%</b>
<b>Non Cash Op. Costs (\$M)</b>																
DD&A	(2,265)	(2,367)	(2,602)	(2,659)	(518)	(573)	(575)	(599)	(607)	(562)	(579)	(619)	(647)	(637)	(657)	(661)
Exploration	(503)	(327)	(364)	(371)	(76)	(76)	(99)	(252)	(69)	(95)	(78)	(85)	(91)	(89)	(91)	(93)
<b>Total Non Cash Op. Costs</b>	<b>\$ (2,768)</b>	<b>\$ (2,693)</b>	<b>\$ (2,967)</b>	<b>\$ (3,030)</b>	<b>\$ (594)</b>	<b>\$ (649)</b>	<b>\$ (674)</b>	<b>\$ (851)</b>	<b>\$ (676)</b>	<b>\$ (657)</b>	<b>\$ (656)</b>	<b>\$ (704)</b>	<b>\$ (739)</b>	<b>\$ (726)</b>	<b>\$ (748)</b>	<b>\$ (754)</b>
<b>Unit Non Cash Op. Costs (\$/Boe)</b>																
DD&A	13.32	13.75	14.14	14.11	13.07	13.57	13.12	13.50	13.42	13.52	14.23	13.87	14.37	14.00	14.12	14.09
Exploration	2.96	1.90	1.98	1.97	1.92	1.80	2.26	5.68	1.53	2.29	1.91	1.91	2.03	1.95	1.96	1.98
<b>Total Unit Non Cash Op. Costs</b>	<b>\$ 16.28</b>	<b>\$ 15.65</b>	<b>\$ 16.12</b>	<b>\$ 16.08</b>	<b>\$ 14.99</b>	<b>\$ 15.37</b>	<b>\$ 15.38</b>	<b>\$ 19.18</b>	<b>\$ 14.94</b>	<b>\$ 15.80</b>	<b>\$ 16.13</b>	<b>\$ 15.78</b>	<b>\$ 16.40</b>	<b>\$ 15.95</b>	<b>\$ 16.08</b>	<b>\$ 16.07</b>
<b>Operating Income (\$M)</b>	<b>2,055</b>	<b>1,303</b>	<b>1,352</b>	<b>1,498</b>	<b>535</b>	<b>683</b>	<b>579</b>	<b>258</b>	<b>351</b>	<b>328</b>	<b>294</b>	<b>330</b>	<b>284</b>	<b>352</b>	<b>357</b>	<b>358</b>
<b>Operating Margin</b>	<b>28%</b>	<b>20%</b>	<b>20%</b>	<b>22%</b>	<b>31%</b>	<b>35%</b>	<b>31%</b>	<b>15%</b>	<b>21%</b>	<b>21%</b>	<b>19%</b>	<b>20%</b>	<b>18%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>
<b>E&amp;P Revenue (\$/Boe)</b>	<b>\$ 42.64</b>	<b>\$ 37.06</b>	<b>\$ 36.31</b>	<b>\$ 36.20</b>	<b>\$ 43.61</b>	<b>\$ 45.84</b>	<b>\$ 42.99</b>	<b>\$ 38.38</b>	<b>\$ 36.56</b>	<b>\$ 38.44</b>	<b>\$ 37.07</b>	<b>\$ 36.27</b>	<b>\$ 35.91</b>	<b>\$ 36.58</b>	<b>\$ 36.48</b>	<b>\$ 36.25</b>
<b>Cash Operating Income (\$/Boe)</b>	<b>\$ 28.36</b>	<b>\$ 23.22</b>	<b>\$ 23.47</b>	<b>\$ 24.03</b>	<b>\$ 28.50</b>	<b>\$ 31.54</b>	<b>\$ 28.59</b>	<b>\$ 24.99</b>	<b>\$ 22.70</b>	<b>\$ 23.69</b>	<b>\$ 23.36</b>	<b>\$ 23.18</b>	<b>\$ 22.72</b>	<b>\$ 23.67</b>	<b>\$ 23.75</b>	<b>\$ 23.71</b>

Source: Company filings, MUSAe

US Equity Research  
Apache Corp.

## EXHIBIT 2: CONSOLIDATED INCOME STATEMENT

\$M, except where noted	Annual Results				2018				2019e				2020e				8/2/2019
	2018	2019e	2020e	2021e	1Q	2Q	3Q	4Q	1Q	2Q	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe	
<b>Revenue</b>																	
E&P Revenue	7,251	6,379	6,681	6,821	1,728	1,936	1,884	1,703	1,654	1,598	1,508	1,619	1,617	1,666	1,697	1,701	
Marketing & Other Revenue	76	(13)	0	0	14	(7)	7	62	(19)	5	2	(1)	1	(0)	0	(0)	
<b>Total Revenue</b>	<b>\$ 7,327</b>	<b>\$ 6,366</b>	<b>\$ 6,681</b>	<b>\$ 7,271</b>	<b>\$ 1,742</b>	<b>\$ 1,929</b>	<b>\$ 1,891</b>	<b>\$ 1,765</b>	<b>\$ 1,635</b>	<b>\$ 1,603</b>	<b>\$ 1,510</b>	<b>\$ 1,618</b>	<b>\$ 1,617</b>	<b>\$ 1,665</b>	<b>\$ 1,697</b>	<b>\$ 1,701</b>	
<b>Operating Costs</b>																	
LOE include Transport, Production Tax	(1,997)	(1,972)	(1,997)	(1,992)	(485)	(487)	(532)	(493)	(504)	(511)	(467)	(490)	(496)	(497)	(503)	(501)	
DD&A	(2,265)	(2,367)	(2,602)	(2,659)	(518)	(573)	(575)	(599)	(607)	(562)	(579)	(619)	(647)	(637)	(657)	(661)	
Exploration	(503)	(327)	(364)	(371)	(76)	(76)	(99)	(252)	(69)	(95)	(78)	(85)	(91)	(89)	(91)	(93)	
G&A	(431)	(410)	(365)	(301)	(114)	(117)	(99)	(101)	(123)	(102)	(91)	(94)	(98)	(90)	(90)	(87)	
Impairments & Accretion	(619)	(345)	(111)	(116)	(27)	(27)	(37)	(528)	(27)	(266)	(28)	(28)	(29)	(29)	(29)	(29)	
<b>Operating Costs</b>	<b>\$ (5,815)</b>	<b>\$ (5,421)</b>	<b>\$ (5,442)</b>	<b>\$ (5,439)</b>	<b>\$ (1,220)</b>	<b>\$ (1,280)</b>	<b>\$ (1,342)</b>	<b>\$ (1,973)</b>	<b>\$ (1,330)</b>	<b>\$ (1,536)</b>	<b>\$ (1,239)</b>	<b>\$ (1,316)</b>	<b>\$ (1,360)</b>	<b>\$ (1,342)</b>	<b>\$ (1,369)</b>	<b>\$ (1,371)</b>	
<b>Operating Income</b>	<b>1,512</b>	<b>945</b>	<b>1,239</b>	<b>1,832</b>	<b>522</b>	<b>649</b>	<b>549</b>	<b>(208)</b>	<b>305</b>	<b>67</b>	<b>271</b>	<b>302</b>	<b>257</b>	<b>324</b>	<b>328</b>	<b>329</b>	
<b>Non Operating Items</b>																	
Other Income, Net	(76)	(181)	(182)	(183)	(35)	(47)	49	(43)	(43)	(46)	(46)	(46)	(45)	(46)	(46)	(46)	
Interest Expense, Net	(477)	(462)	(422)	(441)	(99)	(94)	(192)	(92)	(97)	(173)	(93)	(99)	(102)	(105)	(107)	(109)	
Pre-tax Income	959	302	634	1,209	388	508	406	(343)	165	(152)	132	157	110	173	176	175	
Income Taxes	(894)	(517)	(317)	(604)	(198)	(249)	(262)	(185)	(186)	(187)	(66)	(79)	(55)	(87)	(88)	(87)	
ALTM Preferred Dividends	-	(14)	(36)	(36)	-	-	-	-	-	4	(9)	(9)	(9)	(9)	(9)	(9)	
<b>Reported Net Income</b>	<b>\$ 41</b>	<b>\$ (352)</b>	<b>\$ 121</b>	<b>\$ 408</b>	<b>\$ 145</b>	<b>\$ 195</b>	<b>\$ 81</b>	<b>\$ (380)</b>	<b>\$ (47)</b>	<b>\$ (360)</b>	<b>\$ 17</b>	<b>\$ 29</b>	<b>\$ 6</b>	<b>\$ 38</b>	<b>\$ 39</b>	<b>\$ 38</b>	
<b>Weighted Avg Shares Outstanding</b>	<b>383</b>	<b>381</b>	<b>378</b>	<b>378</b>	<b>384</b>	<b>385</b>	<b>385</b>	<b>379</b>	<b>376</b>	<b>377</b>							
<b>EPS Diluted</b>	<b>\$ 0.11</b>	<b>\$ (0.92)</b>	<b>\$ 0.32</b>	<b>\$ 1.08</b>	<b>\$ 0.38</b>	<b>\$ 0.51</b>	<b>\$ 0.21</b>	<b>\$ (1.00)</b>	<b>\$ (0.13)</b>	<b>\$ (0.96)</b>	<b>\$ 0.04</b>	<b>\$ 0.08</b>	<b>\$ 0.02</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	
<b>EBITDA</b>	<b>4,865</b>	<b>4,041</b>	<b>4,330</b>	<b>4,987</b>	<b>1,087</b>	<b>1,268</b>	<b>1,367</b>	<b>1,143</b>	<b>1,050</b>	<b>994</b>	<b>960</b>	<b>1,037</b>	<b>1,026</b>	<b>1,082</b>	<b>1,108</b>	<b>1,114</b>	
<b>Adjustments</b>																	
Non-Cash Derivative G/L	(79)	52	-	-	(39)	(43)	16	(13)	35	17	-	-	-	-	-	-	
Impairments	575	238	-	-	13	17	49	496	18	220	-	-	-	-	-	-	
Other	143	196	-	-	5	23	98	17	32	164	-	-	-	-	-	-	
<b>Adjusted Net Income</b>	<b>\$ 680</b>	<b>\$ 134</b>	<b>\$ 121</b>	<b>\$ 408</b>	<b>\$ 124</b>	<b>\$ 192</b>	<b>\$ 244</b>	<b>\$ 119</b>	<b>\$ 38</b>	<b>\$ 41</b>	<b>\$ 17</b>	<b>\$ 29</b>	<b>\$ 6</b>	<b>\$ 38</b>	<b>\$ 39</b>	<b>\$ 38</b>	
<b>Adj. EPS</b>	<b>\$ 1.77</b>	<b>\$ 0.35</b>	<b>\$ 0.32</b>	<b>\$ 1.08</b>	<b>\$ 0.32</b>	<b>\$ 0.50</b>	<b>\$ 0.63</b>	<b>\$ 0.31</b>	<b>\$ 0.10</b>	<b>\$ 0.11</b>	<b>\$ 0.04</b>	<b>\$ 0.08</b>	<b>\$ 0.02</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	
<b>Adj. Cash Flow</b>	<b>3,532</b>	<b>3,003</b>	<b>3,447</b>	<b>3,799</b>	<b>799</b>	<b>932</b>	<b>1,000</b>	<b>801</b>	<b>736</b>	<b>678</b>	<b>764</b>	<b>825</b>	<b>834</b>	<b>854</b>	<b>877</b>	<b>882</b>	
APA Capex	(3,480)	(2,378)	(2,509)	(2,733)	(857)	(833)	(966)	(824)	(597)	(589)	(605)	(586)	(626)	(620)	(632)	(631)	
Altus Capex	(274)	(1,370)	(525)	(200)	-	-	-	(274)	(237)	(320)	(406)	(406)	(131)	(131)	(131)	(131)	
<b>Capex</b>	<b>(3,754)</b>	<b>(3,747)</b>	<b>(3,034)</b>	<b>(2,933)</b>	<b>(857)</b>	<b>(833)</b>	<b>(966)</b>	<b>(1,098)</b>	<b>(834)</b>	<b>(909)</b>	<b>(1,012)</b>	<b>(992)</b>	<b>(757)</b>	<b>(751)</b>	<b>(764)</b>	<b>(762)</b>	
Dividends	(382)	(376)	(376)	(376)	(95)	(96)	(96)	(95)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	
<b>Net</b>	<b>(604)</b>	<b>(1,120)</b>	<b>38</b>	<b>490</b>	<b>(153)</b>	<b>3</b>	<b>(62)</b>	<b>(392)</b>	<b>(192)</b>	<b>(325)</b>	<b>(342)</b>	<b>(261)</b>	<b>(18)</b>	<b>9</b>	<b>19</b>	<b>26</b>	

Source: Company filings, MUSAe

## EXHIBIT 3: BALANCE SHEET

\$M, except where noted	Annual Results				2018				2019e				2020e				8/2/2019
	2018	2019e	2020e	2021e	1Q	2Q	3Q	4Q	1Q	2Q	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe	
<b>Cash (A/P)</b>	<b>264</b>	<b>906</b>	<b>1,128</b>	<b>1,093</b>	<b>1,077</b>	<b>972</b>	<b>593</b>	<b>264</b>	<b>150</b>	<b>372</b>	<b>747</b>	<b>906</b>	<b>934</b>	<b>988</b>	<b>1,054</b>	<b>1,128</b>	
<b>Cash (Altus)</b>	<b>450</b>	<b>-</b>	<b>450</b>	<b>177</b>	<b>177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>							
<b>A/R</b>	<b>1,194</b>	<b>1,098</b>	<b>1,098</b>	<b>1,098</b>	<b>1,409</b>	<b>1,446</b>	<b>1,457</b>	<b>1,194</b>	<b>1,185</b>	<b>1,098</b>							
<b>Other Current Assets</b>	<b>779</b>	<b>1,144</b>	<b>1,144</b>	<b>1,144</b>	<b>767</b>	<b>721</b>	<b>735</b>	<b>779</b>	<b>992</b>	<b>1,144</b>							
<b>Total Current Assets</b>	<b>\$ 2,687</b>	<b>\$ 3,148</b>	<b>\$ 3,370</b>	<b>\$ 3,335</b>	<b>\$ 3,253</b>	<b>\$ 3,133</b>	<b>\$ 2,785</b>	<b>\$ 2,687</b>	<b>\$ 2,504</b>	<b>\$ 2,791</b>	<b>\$ 2,989</b>	<b>\$ 3,148</b>	<b>\$ 3,176</b>	<b>\$ 3,230</b>	<b>\$ 3,296</b>	<b>\$ 3,370</b>	
<b>E&amp;P PPE</b>	<b>43,780</b>	<b>41,550</b>	<b>43,814</b>	<b>46,293</b>	<b>41,731</b>	<b>42,451</b>	<b>43,222</b>	<b>43,780</b>	<b>43,833</b>	<b>40,779</b>	<b>41,021</b>	<b>41,550</b>	<b>42,114</b>	<b>42,675</b>	<b>43,246</b>	<b>43,814</b>	
Less Accumulated DD&A	(28,335)	(27,513)	(30,274)	(33,092)	(26,196)	(26,796)	(27,399)	(28,335)	(28,654)	(26,236)	(26,854)	(27,513)	(28,200)	(28,877)	(29,574)	(30,274)	
<b>Net E&amp;P PPE</b>	<b>15,445</b>	<b>14,036</b>	<b>13,540</b>	<b>13,206</b>	<b>15,535</b>	<b>15,655</b>	<b>15,823</b>	<b>15,445</b>	<b>15,179</b>	<b>14,543</b>	<b>14,166</b>	<b>14,036</b>	<b>13,914</b>	<b>13,798</b>	<b>13,672</b>	<b>13,540</b>	
<b>Goodwill</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Other LT Assets</b>	<b>3,450</b>	<b>5,285</b>	<b>5,810</b>	<b>6,010</b>	<b>3,003</b>	<b>3,116</b>	<b>3,282</b>	<b>3,450</b>	<b>4,068</b>	<b>4,472</b>	<b>4,878</b>	<b>5,285</b>	<b>5,416</b>	<b>5,547</b>	<b>5,678</b>	<b>5,810</b>	
<b>Total Assets</b>	<b>\$ 21,582</b>	<b>\$ 22,469</b>	<b>\$ 22,720</b>	<b>\$ 22,551</b>	<b>\$ 21,791</b>	<b>\$ 21,910</b>	<b>\$ 21,870</b>	<b>\$ 21,582</b>	<b>\$ 21,751</b>	<b>\$ 21,806</b>	<b>\$ 22,034</b>	<b>\$ 22,469</b>	<b>\$ 22,506</b>	<b>\$ 22,574</b>	<b>\$ 22,647</b>	<b>\$ 22,720</b>	
<b>A/P</b>	<b>709</b>	<b>644</b>	<b>644</b>	<b>644</b>	<b>708</b>	<b>682</b>	<b>-</b>	<b>709</b>	<b>679</b>	<b>644</b>							
<b>ST Debt</b>	<b>150</b>	<b>-</b>	<b>393</b>	<b>7,925</b>	<b>400</b>	<b>400</b>	<b>150</b>	<b>150</b>	<b>339</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>393</b>	<b>393</b>	<b>393</b>	
<b>ALTM ST Debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Other Current Liabilities</b>	<b>1,342</b>	<b>1,443</b>	<b>1,443</b>	<b>1,443</b>	<b>1,234</b>	<b>1,230</b>	<b>2,057</b>	<b>1,342</b>	<b>1,356</b>	<b>1,443</b>							
<b>Total Current Liabilities</b>	<b>\$ 2,201</b>	<b>\$ 2,087</b>	<b>\$ 2,480</b>	<b>\$ 10,012</b>	<b>\$ 2,342</b>	<b>\$ 2,312</b>	<b>\$ 2,207</b>	<b>\$ 2,201</b>	<b>\$ 2,374</b>	<b>\$ 2,262</b>	<b>\$ 2,087</b>	<b>\$ 2,087</b>	<b>\$ 2,480</b>	<b>\$ 2,480</b>	<b>\$ 2,480</b>	<b>\$ 2,480</b>	
<b>LT Debt</b>	<b>8,054</b>	<b>8,509</b>	<b>8,117</b>	<b>192</b>	<b>7,936</b>	<b>7,937</b>	<b>8,053</b>	<b>8,054</b>	<b>8,094</b>	<b>8,157</b>	<b>8,411</b>	<b>8,509</b>	<b>8,117</b>	<b>8,117</b>	<b>8,117</b>	<b>8,117</b>	
<b>Altus Debt</b>	-	<b>636</b>	<b>1,161</b>	<b>1,361</b>	-	-	-	-	-	-	<b>229</b>	<b>636</b>	<b>767</b>	<b>898</b>	<b>1,029</b>	<b>1,161</b>	
<b>Deferred Taxes</b>	<b>1,866</b>	<b>1,902</b>	<b>2,016</b>	<b>2,132</b>	<b>1,819</b>	<											



US Equity Research  
Apache Corp.

#### EXHIBIT 4: STATEMENT OF CASH FLOWS

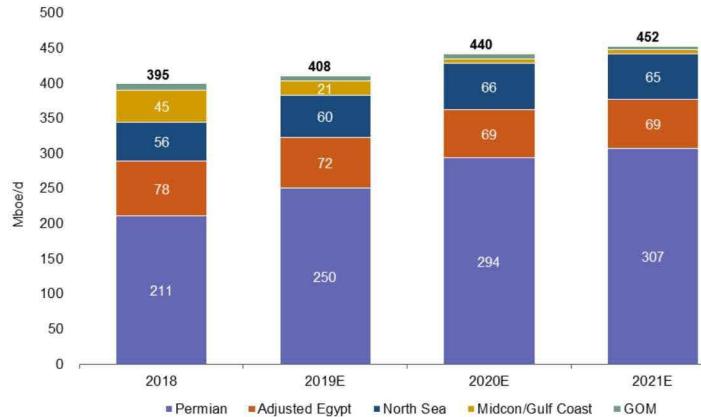
Apache Corp (APA)	Annual Results												8/2/2019			
	2018				2019e				2020e							
	2018	2019e	2020e	2021e	1Q	2Q	3Q	4Q	1Q	2Q	3Qe	4Qe	1Qe	2Qe	3Qe	4Qe
All amounts \$M																
Reported Net Income	286	(186)	293	580	206	269	161	(350)	(2)	(316)	60	72	49	81	82	81
DD&A	2,405	2,525	2,761	2,818	553	608	610	634	646	602	618	659	687	677	696	701
Other	891	614	394	401	95	111	204	481	29	405	86	94	98	97	99	100
Discretionary Cash Flow	3,479	3,019	3,447	3,799	805	933	991	750	718	712	764	825	834	854	877	882
Changes in Working Capital	298	24	-	-	(190)	180	15	293	(120)	144	-	-	-	-	-	-
Cash Flow from Operations	\$ 3,777	\$ 3,043	\$ 3,447	\$ 3,799	\$ 615	\$ 1,113	\$ 1,006	\$ 1,043	\$ 598	\$ 856	\$ 764	\$ 825	\$ 834	\$ 854	\$ 877	\$ 882
Upstream Capex	(3,111)	(2,378)	(2,509)	(2,733)	(742)	(717)	(844)	(824)	(597)	(589)	(605)	(586)	(626)	(620)	(632)	(631)
Midstream (Altus) Capex	(581)	(1,497)	(525)	(200)	(128)	(156)	(128)	(169)	(237)	(447)	(406)	(406)	(131)	(131)	(131)	(131)
Acquisitions	(133)	(34)	-	-	(12)	(26)	(48)	(47)	(15)	(19)	-	-	-	-	-	-
Sales & Adjustments	(28)	384	-	-	(8)	(125)	94	(64)	(89)	161	312	-	-	-	-	-
Cash Flow from Investing	\$ (3,853)	\$ (3,524)	\$ (3,034)	\$ (2,933)	\$ (690)	\$ (1,024)	\$ (926)	\$ (1,104)	\$ (938)	\$ (894)	\$ (700)	\$ (992)	\$ (757)	\$ (751)	\$ (764)	\$ (762)
Net Borrowings (Repayment)	(378)	166	-	(393)	(150)	-	(228)	-	159	(170)	79	98	-	-	-	-
Altus Borrowings	-	636	525	200	-	-	-	-	-	-	229	406	131	131	131	131
Altus Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Altus Preferred Equity Issuance	-	611	-	-	-	-	-	-	-	611	-	-	-	-	-	-
Equity Issuance	(305)	-	-	-	-	-	-	(305)	-	-	-	-	-	-	-	-
Dividends	(382)	(376)	(376)	(376)	(95)	(96)	(96)	(95)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)
Distributions to NCI - Egypt	(345)	(328)	(341)	(332)	(69)	(86)	(101)	(89)	(107)	(57)	(80)	(84)	(86)	(86)	(84)	(84)
Distributions to NCI - ALTM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(5)	(35)	-	-	(2)	(12)	(34)	671	(5)	(30)	-	-	-	-	-	-
Cash Flow from Financing	\$ (1,415)	\$ 673	\$ (192)	\$ (901)	\$ (316)	\$ (194)	\$ (459)	\$ 182	\$ (47)	\$ 260	\$ 134	\$ 326	\$ (49)	\$ (49)	\$ (47)	\$ (46)
Cash, Beginning of Period	1,667	176	368	590	1,668	1,077	972	593	714	327	549	747	906	934	988	1,054
Cash, End of Period	176	368	590	555	1,077	972	593	714	327	549	747	906	934	988	1,054	1,128
Increase (Decrease) in Cash	(1,491)	192	222	(35)	(591)	(105)	(379)	121	(387)	222	198	159	27	54	66	74

Source: Company filings, MUSAe; 1Q19 cash flow statement represents estimates pending 1Q release

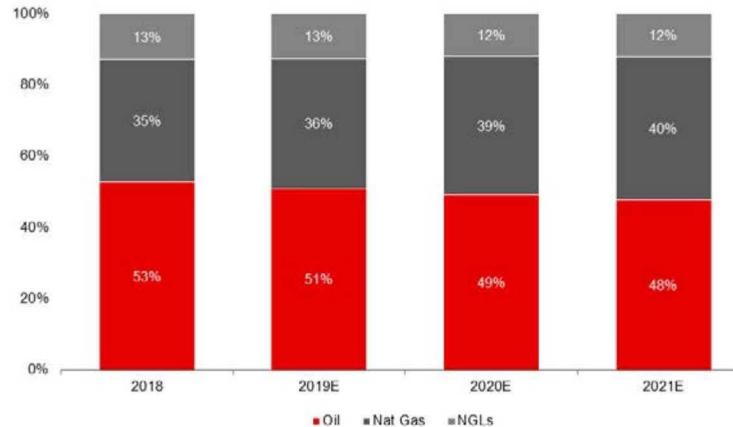


## Key Data

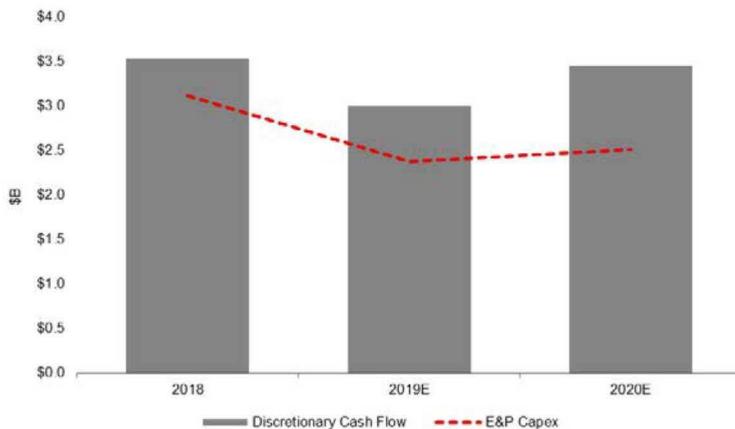
## APA PRODUCTION BY REGION



## APA PRODUCTION MIX



## APA CONSOLIDATED CAPEX VS DISCRETIONARY CASH FLOW



## APA E&amp;P COSTS PER BOE



Source: Company filings, MUSAe



## INVESTMENT THESIS

Apache Corp. has transitioned away from the legacy acquire-and-exploit model, with management positioning the portfolio to support a returns-focused, organic growth narrative. By dedicating the bulk of their resources to the Permian basin, and continuously focusing on lowering the overall cost structure of the firm, management believes they can develop new, high-growth cash flows to accompany their existing sources of stable cash flows from the North Sea and Egypt.

## VALUATION

Under our presented commodity price scenario, we arrive at a PT of \$39 per share. Our price target results in an EV / 2Q 2021 est. EBITDAX multiple that is at a discount to the coverage group average. We think this discount to APA's peer group is warranted due its leverage to the greenfield development of its Alpine High Project.

## RISKS

The company has a fair amount of geographic diversity and has historically been an oil producer. Its focus on Alpine High exposes the equity to greater commodity risk as it is more of a NGL play. The full potential of which is not yet confirmed. The development of a greenfield project the size of Alpine High can be capital intensive and execution is paramount to success. In addition, the company's International efforts in Egypt and North Sea pose unique risks relative to domestic operations.

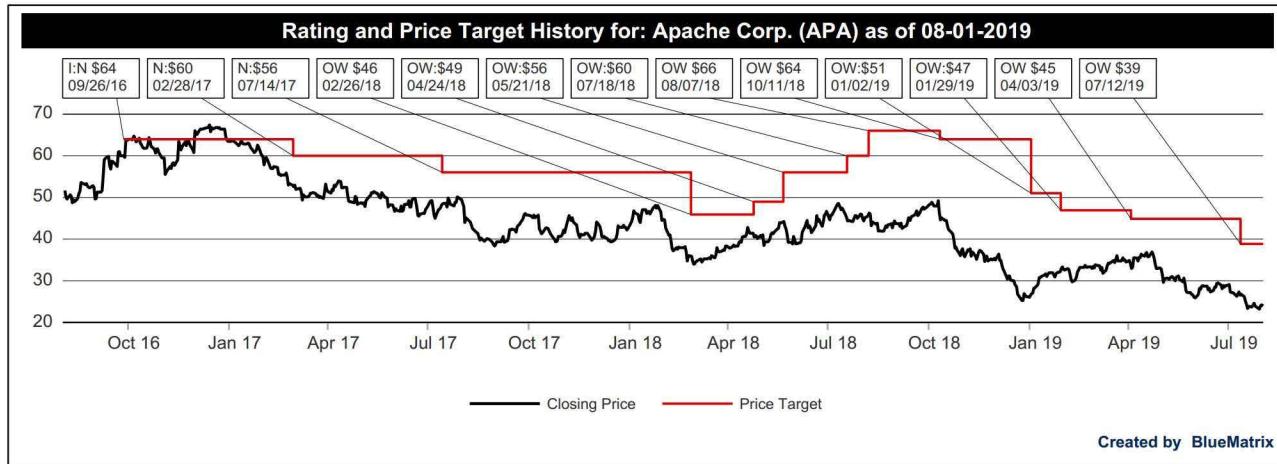
## COMPANY DESCRIPTION

Apache Corporation (APA) is an independent oil and gas exploration and production company with operations in the United States, Egypt and the North Sea. Although the company historically has focused on acquiring and exploiting assets from other operators, it is now in the midst of a shift in strategy to focus on shorter-cycle, unconventional assets to enable it to cope with the weak commodity-price environment.



US Equity Research  
Apache Corp.

## Required Disclosures



### Analyst Certification

I, Michael McAllister, certify that the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers featured in this report. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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### Rating system

**Overweight (O):** Expected to outperform relative to the average of a relevant benchmark over the next 12 months relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors overweight their position.

**Neutral (N):** Expected to perform in line relative to the average of a relevant benchmark over the next 12 months relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors maintain a neutral weight position.

**Underweight (U):** Expected to underperform relative to the average of a relevant benchmark over the next 12 months relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors underweight their position.

**NR:** Not Rated. MUSA does not provide an investment opinion nor does it provide research coverage on this stock.

**Distribution of Ratings/Investment Banking Services (IB) as of 08/02/2019****MUSA**

Rating	Total Coverage		IB Serv./Past 12 Mos.	
	Count	Percent	Count	Percent
Overweight [O]/Buy	26	44.07	11	42.31
Neutral [N]/Hold	32	54.24	15	46.88
Underweight [U]/Sell	1	1.69	0	0

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Stocks with an NR designation are not included in the table.

**Risks**

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